

Message Text

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TAGS: ECON, PINT, CA

SUBJECT: SUN LIFE MOVE

REF: (A) MONTREAL 0043; (B) QUEBEC 005; (C) QUEBEC 008

1. SUMMARY: SUN LIFE DECISION TO MOVE DOMINATES QUEBEC ECONOMIC AND POLITICAL SCENE. OVER WEEKEND, FOLLOWING APPEALS FROM PRIME MINISTER TRUDEAU AND FINANCE MINISTER CHRETEN, SUN LIFE ANNOUNCED THAT IT WILL DELAY MEETING SEEKING APPROVAL TO MOVE HEAD OFFICE TO TORONTO, AND THAT IT WILL OBSERVE DEVELOPMENTS OVER TWO-YEAR PERIOD, PRIMARILY IN AREA OF QUEBEC LANGUAGE POLICY, BEFORE DECIDING ON NUMBER OF HEAD OFFICE EMPLOYEES TO BE MOVED TO TORONTO. WHILE DECISION PROVIDES A BRIEF BREATHING SPELL, IT REPRESENTS MINIMAL RESPONSE, AS INTENTION OF COMPANY IS STILL TO TRANSFER HEAD OFFICE.

2. SLIGHT SOFTENING OF SUN LIFE POSITION, WHICH MAY PROVE TO BE LITTLE MORE THAN COSMETICS, OCCURRED IN FACE OF MOUNTING PUBLIC CONCERN. IN ADDITION TO ROLE OF FEDERAL GOVERNMENT, NUMBER OF PUBLIC GROUPS HAD CALLED ON SUN LIFE TO RECONSIDER ITS DECISION TO MOVE AND EFFORTS ARE UNDER WAY TO CONVINCE POLICY

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HOLDERS TO VOTE AGAINST MOVE. UNIONS HAVE CALLED ON WORKERS TO BOYCOTT SUN LIFE. WHILE PQ HAS NOT YET REACTED TO WEEKEND MEETING OF SUN LIFE, PREMIER LEVESQUE HAD PREVIOUSLY TAKEN STRONG STAND, INDICATING GOVERNMENT WOULD NOT YIELD TO SUN LIFE AND DECLARING INTENTIONS TO PROCEED WITH REGULATIONS CONTROLLING INVESTMENT OF FUNDS IN QUEBEC.

3. WHILE EMOTIONS WILL RUN HIGH FOR SOME TIME, WE BELIEVE SUN LIFE ISSUE HAS HAD EFFECT OF FOCUSING ATTENTION ON ECONOMIC CONSEQUENCES OF PQ POLICIES, AND THAT QUEBECKERS FROM THIS POINT ON WILL BE MORE LIKELY TO BLAME QUEBEC'S ECONOMIC PROBLEMS ON PQ. WITH ECONOMIC OUTLOOK FAR FROM PROMISING, WE MAY THEREFORE BEGIN TO SEE SOME EROSION OF SUPPORT FOR PQ.
END SUMMARY.

4. NOT SINCE ELECTION OF PARTI QUEBECOIS HAS ANYTHING DOMINATED MONTREAL PRESS, CONVERSATION, AND THOUGHT AS HAS DECISION OF SUN LIFE TO MOVE ITS HEAD OFFICE OUT OF MONTREAL. (SEE REFTELS). AS DECISION IS VIEWED AS POSSIBLE WATERSHED IN COURSE OF RELATIONS BETWEEN BUSINESS SECTOR AND PARTI QUEBECOIS AND THUS AS PRECURSOR OF FUTURE ECONOMIC CLIMATE IN QUEBEC, DEVELOPMENTS ARE OF INTEREST TO ALL CONCERNED CANADIANS, AS WELL AS TO AMERICAN FIRMS WITH INTERESTS IN QUEBEC.

5. IN MIDST OF STRONG PUBLIC REACTION AND INTERVENTIONS ON PARTY OF PRIME MINISTER TRUDEAU AND FEDERAL FINANCE MINISTER CHRETIEN, SUN LIFE ISSUED STATEMENT, FOLLOWING WEEKEND MEETING, INDICATING THAT ALTHOUGH IT STILL INTENDED TO TRANSFER HEAD OFFICE TO TORONTO, IT WOULD DELAY MEETING ASKING POLICY HOLDERS TO APPROVE MOVE FROM JANUARY 27 TO SOMETIME IN APRIL. MOREOVER, SUN LIFE INDICATED THAT IT WOULD NOT MOVE LARGE NUMBERS OF EMPLOYEES FROM MONTREAL UNTIL TWO YEARS FROM NOW. DURING TWO-YEAR PERIOD, SUN LIFE WOULD LIMITED OFFICIAL USE

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FOLLOW QUEBEC SITUATION CLOSELY. SHOULD CONDITIONS SHOW IMPROVEMENT, PARTICULARLY IN FIELD OF LANGUAGE POLICY, SUN LIFE SAID IT WOULD NOT PLAN TO MOVE AS MANY PEOPLE. IN ITS STATEMENT, SUN LIFE SAID BOTH TRUDEAU AND CHRETIEN HAD SUGGESTED THAT REAL PROGRESS WAS POSSIBLE IN NEAR FUTURE TOWARDS ACHIEVING AGREEMENT AMONG PROVINCES FOR CONSTITUTIONAL GUARANTEES OF MINORITY RIGHTS, PARTICULARLY REGARDING LANGUAGE OF EDUCATION.

6. PRIOR TO SUN LIFE'S ANNOUNCEMENT OVER WEEKEND, THERE HAD BEEN SERIES OF PUBLIC REACTIONS. CHAMBERS OF COMMERCE OF QUEBEC AND MONTREAL, AS WELL AS POSITIVE ACTION COMMITTEE, HAD APPEALED TO SUN LIFE TO ALTER DECISION. IN TORONTO, A GROUP OF LIBERAL PARLIAMENT MEMBERS DRAFTED STATEMENT URGING COMPANY TO LISTEN TO PUBLIC OPINION IN ENGLISH AND FRENCH CANADA AND DEFER PLANS TO MOVE HEAD OFFICE TO TORONTO. EDITORIALS IN MONTREAL ANGLOPHONE PRESS, WHICH INITIALLY TENDED TO FOCUS ON INSENSITIVITIES OF PQ THAT FORCED SUN LIFE TO TAKE DECISION AND ON INTEMPERATE REACTION OF QUEBEC FINANCE MINISTER PARIZEAU, HAD BEGUN TO CHANGE TACK, INVOLVING NEED FOR MODERATION ON BOTH SIDES AND APPEALING TO SUN LIFE'S SOCIAL AND PATRIOTIC RESPONSIBILITIES IN INTERESTS OF CANADIAN UNITY. MOREOVER, EFFORTS ARE UNDER WAY, ON PART OF NUMBER OF

POLICY-HOLDERS, AND POSITIVE ACTION COMMITTEE, TO PERSUADE
POLICY-HOLDERS TO VOTE AGAINST MOVE.

7. ON ANOTHER FRONT, ROYAL BANK CHAIRMAN EARLE MCLAUGHLIN,
SPEAKING AT BANK'S ANNUAL MEETING JANUARY 12, RESTATED ROYAL
BANK'S DETERMINATION TO KEEP HEAD OFFICE IN MONTREAL. ALSO,
CHAIRMAN OF BANK OF MONTREAL TOLD CONSUL GENERAL LAST THURSDAY
THAT HE WOULD MAKE SIMILAR STATEMENT AT TIME OF HIS BANK'S
ANNUAL MEETING THIS WEEK.

8. AT SAME TIME, OTHER GROUPS HAVE CALLED FOR RETRIBUTION.
HEAD OF CANADIAN UNION OF PUBLIC EMPLOYEES ASKED ALL LOCALS
TO REVIEW THEIR INSURANCE PLANS WITH VIEW TOWARD DROPPING ALL
COVERAGE PROVIDED BY SUN LIFE. AS REPRESENTATIVE OF 12,000
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HYDRO QUEBEC EMPLOYEES, UNION ASKED HYDRO-QUEBEC TO DROP
SUN LIFE AS CARRIER FOR EMPLOYEES' GROUP LIFE INSURANCE.
LOUIS LABERGE, HEAD OF QUEBEC FEDERATION OF LABOR-- LARGEST
UNION IN QUEBEC - CALLED SUN LIFE A RAPACIOUS COMPANY AND
SAID HE WOULD ASK ALL QUEBEC WORKERS TO BOYCOTT SUN LIFE.
ON NATIONAL SCENE, JOE MORRIS, PRESIDENT OF CANADIAN LABOR
CONGRESS, URGED AFFILIATED UNIONS TO BRING PRESSURE ON SUN
LIFE BY TRANSFERRING BUSINESS TO OTHER INSURERS.

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9. WE HAVE NOT SEEN STATEMENT FROM QUEBEC GOVERNMENT IN RESPONSE TO SUN LIFE'S WEEKEND MEETING, BUT SO FAR IT HAS PRESENTED PUBLIC POSTURE WHICH IS UNYIELDING. IN PRESS CONFERENCE JANUARY 12, PREMIER LEVESQUE DECLARED THAT SUN LIFE'S DECISION WAS PURELY POLITICAL GESTURE AND EVIDENCED COMPANY'S UNWILLINGNESS TO ADAPT TO NATURAL CULTURAL EVOLUTION OCCURRING WITHIN QUEBEC. MORE IMPORTANTLY, LEVESQUE SAID GOVERNMENT WOULD NOT GET DOWN ON ITS KNEES TO PREVENT DEPARTURE OF SUN LIFE AND WOULD CONTINUE WITH PLANS TO TIGHTEN REGULATIONS CONTROLLING ACTIVITIES AND INVESTMENTS OF INSURANCE COMPANIES OPERATING IN QUEBEC.

10. ISSUE OVER CONTROL OF INVESTMENTS IS A CRUCIAL ONE, WHICH WILL HAVE WIDESPREAD RAMIFICATIONS. FOR SOME TIME, PARTI QUEBECOIS HAS WANTED MACHINERY TO CONTROL USE OF QUEBEC'S SAVINGS. FOCUS OF PQ'S ATTENTION UNTIL NOW HAS BEEN CAISSE DU DEPOT, WHICH HANDLES GOVERNMENT PENSION FUNDS. REGULATIONS NOW BEING DRAFTED BY PQ WOULD ATTEMPT, HOWEVER, TO GIVE PROVINCIAL GOVERNMENT AUTHORITY TO STIPULATE PROPORTION OF INSURANCE FUNDS TO BE INVESTED WITHIN PROVINCE. WHILE INSURANCE COMPANIES, AS MATTER OF PRINCIPLE, ATTEMPT TO MAINTAIN LIMITED OFFICIAL USE

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SOME BALANCE BETWEEN ACTUARIAL LIABILITIES AND INVESTMENTS WITHIN A PROVINCE, THERE ARE NO SPECIFIC REGULATIONS THAT REQUIRE THEM TO DO SO, AND THERE IS REAL QUESTION IN MINDS OF MOST LAWYERS WHETHER A PROVINCE HAS RIGHT TO IMPLEMENT SUCH REGULATIONS. QUEBEC IS APPARENTLY BASING ITS POSITION ON OTTAWA REGULATIONS THAT REQUIRE FOREIGN INSURANCE COMPANIES OPERATING IN CANADA TO BALANCE LIABILITIES AND INVESTMENTS ON NATION-WIDE BASIS, AND ON SUPREME COURT DECISION WHICH CONFIRMED RIGHT OF BRITISH COLUMBIA TO ESTABLISH STATE-RUN AUTO INSURANCE PLAN. PQ HAS INTERPRETED LATTER RULING TO MEAN THAT PROVINCIAL JURISDICTION TAKES PRECEDENCE OVER FEDERAL JURISDICTION IN FIELD OF INSURANCE, BUT RULING ITSELF SAID NOTHING ABOUT CONTROL OVER INVESTMENTS.

11. COMMENT: AT THIS POINT, IT WOULD APPEAR THAT SUN LIFE GAVE LITTLE AWAY WITH ITS WEEKEND ANNOUNCEMENT. INTENTION OF COMPANY IS STILL TO TRANSFER HEAD OFFICE. WHILE MOVE IS CONTINGENT UPON APPROVAL BY POLICY-HOLDERS, SUN LIFE MANAGEMENT SHOULD NOT HAVE ANY DIFFICULTY IN OBTAINING NECESSARY PROXIES, AS MANY POLICY-HOLDERS RESIDE OUTSIDE CANADA. AS FOR TIMING, WE DOUBT THAT SUN LIFE EVER INTENDED TO EFFECT ABRUPT TRANSFER OF PERSONNEL; TWO-YEAR OBSERVATION PERIOD THEREFORE IMPOSES LITTLE HARDSHIP. SIMILARLY, AGREEMENT TO DELAY MEETING, WHICH SOME MAY CONSIDER AS RESPONSE TO FEDERAL INITIATIVES, ALSO SERVES TO PROVIDE TIME FOR SUN LIFE TO ELICIT NEW PROXIES,

AS COMPANY HAD BEEN CRITICIZED FOR ITS INTENTION TO USE OLD PROXIES IN VOTE TO APPROVE MOVE. WHAT ANNOUNCEMENT DOES DO IS CONFRONT PQ WITH THREAT THAT ITS HANDLING OF LANGUAGE POLICY MAY INFLUENCE MAGNITUDE OF MOVE. WE DOUBT THAT SUCH A SOP WILL BRING PREMIER LEVESQUE TO HIS KNEES.

12. GENERAL MOOD IS DIFFICULT TO GAUGE. WE HAVE FOUND SOME WHO SAY "GOOD RIDDANCE", THAT SUN LIFE IS A SYMBOL OF LIMITED OFFICIAL USE

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ANGLOPHONE ARROGANCE, AND SOME WHO SAY THEY HOPE OTHER COMPANIES WILL FOLLOW SUN LIFE EXAMPLE, SO THAT PEOPLE, REALIZING ERROR OF PQ WAYS, CAN STOMP OUT SEPARATIST VIRUS FOREVER. MOST COMMON FEELING, HOWEVER, IS CONCERN: OVER LOSS OF JOBS, OVER ECONOMIC IMPACT SHOULD OTHER COMPANIES FOLLOW SUN LIFE, OVER DIMINISHED FLOW OF INVESTMENT SHOULD PQ FOLLOW THROUGH ON PRESENT PLANS TO CONTROL SAVINGS, AND OVER DIFFICULTY OF RE-ESTABLISHING COMMUNICATIONS BETWEEN BUSINESS SECTOR AND PROVINCIAL GOVERNMENT, GIVEN HIGH PRIDE QUOTIENT ON PART OF BOTH PQ AND SUN LIFE, WHO, SOME MIGHT SAY, DESERVE EACH OTHER. MORE OPTIMISTIC BELIEVE PUBLIC REACTION TO SUN LIFE MOVE MAY DISSUADE OTHER COMPANIES FROM MOVING. MORE PESSIMISTIC BELIEVE THAT SUN LIFE'S DECISION NOT TO MODIFY SIGNIFICANTLY ITS PLANS EMPHASIZES ECONOMIC IMPERATIVES OF GETTING OUT OF QUEBEC.

13. ON POLITICAL FRONT EVENTS OF LAST WEEK WILL BE IMPORTANT. WHILE WE AGREE WITH QUEBEC (REFTEL) THAT SUN LIFE'S ARROGANCE HAS TRIGGERED NATIONALIST RESPONSE, WE BELIEVE ECONOMIC FALLOUT IS GOING TO PROVE OVERRIDING CONSIDERATION. FRANCO- PHONES WILL NEVER LOVE SUN LIFE, BUT ITS DECISION TO MOVE FOCUSED SUCH ATTENTION ON ECONOMIC CONSEQUENCES OF PQ POLICIES THAT WE THINK PQ HONEMOON MAY BE COMING TO AN END. WHILE WE SAID PREVIOUSLY THAT QUEBECKERS SO FAR HAVE SEEMED WILLING TO GO ALONG WITH PQ'S DENIALS OF ANY RESPONSIBILITY FOR QUEBEC'S ECONOMIC SITUATION -- GIVEN GENERALLY DEPRESSED CONDITIONS THROUGHOUT CANADA -- IT SEEMS TO US THAT SUN LIFE ISSUE PUTS PQ CENTER STAGE IN ECONOMIC ARENA. WITH THE ECONOMIC OUTLOOK IN QUEBEC FAR FROM PROMISING, IT WOULD SEEM TO FOLLOW THAT SUPPORT FOR PARTI QUEBECOIS MAY BEGIN TO SLIDE. BEST THAT PQ CAN HOPE FOR IN SUN LIFE CASE IS A DIVISION OF BLAME - A POX ON BOTH YOUR HOUSES - BUT EVEN THAT WILL ENTAIL SOME SLIPPAGE.
HARPER

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